TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

CORRECTED FISCAL MEMORANDUM

SB 2835 – HB 3216

April 19, 2010

SUMMARY OF AMENDMENT (016386): Deletes the language of the original bill. Authorizes a special allocation of state sales tax revenue to be earmarked for paying bond indebtedness incurred by certain eligible counties that have made public improvements as part of a mixed-use development and the development is located within a commercial development zone. Requires the Commissioner of Revenue and the Commissioner of Economic and Community Development (ECD) to make a determination that such special allocation of state sales tax revenue is in the best interests of the state.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – Exceeds $100,000,000

Decrease Local Revenue – Exceeds $100,000,000

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On April 13, 2010, we issued a fiscal memorandum for this bill as amended indicating *forgone state revenue exceeding $1,000,000 per year* and an *increase to local government revenue exceeding $1,000,000 per year.* This estimate was derived in absence of information provided by the Department of Revenue (DOR). On April 19, 2010, we received requested information for this bill as amended from DOR. Following analysis of this information, the fiscal impact for this bill as amended is estimated as follows:

(CORRECTED)
Forgone State Revenue – Exceeds $1,000,000

Increase Local Revenue – Exceeds $1,000,000

Assumptions applied to amendment:

- This bill as amended defines "eligible county" to mean any county to which (1) at least 25 percent of the county consists of federally-owned land, (2) at least 30.6 percent of such county's population of people 18 years of age and under is in poverty, as determined by the Small Area Income and Poverty Estimates (SAIPE) program administered by the United States Census Bureau, in any year within the three years prior to commencement of the undertaking of the mixed-use development, and (3) the

Federal Highway Administration has approved an interstate exit in close proximity to the area proposed for a commercial development zone.

- This bill as amended also defines “commercial development zone” to mean an area in which a mixed-use development is planned or located. Such commercial development zone must (1) be located entirely within an eligible county, (2) not exceed 1,200 acres, and (3) be located adjacent to a federally designated highway.
- The bill as amended also defines “mixed-use development” to mean an area located entirely within an eligible county containing not less than 500 acres, but no more than 1,200 acres, and includes, but is not limited to, property with commercial uses.
- This bill as amended also defines “public improvements” to mean roads, streets, sidewalks, utility services, parking facilities, parks, and all other necessary or desirable improvements to be used by the public in connection with a commercial development zone.
- According to ECD, Cocke County is the only county that meets all specified criteria outlined in this bill as amended.
- Cocke County elects to establish a commercial development zone.
- The fiscal impact for this bill as amended is dependent upon several unknown factors such as the extent of mixed-use development that will occur within the commercial development zone as a result of this bill, the extent of taxable sales and taxable services that will occur within the commercial development zone in the future, and the extent of bond indebtedness incurred to finance the mixed-use development.
- Given that this bill as amended makes a special allocation of future state sales tax revenue (revenue which is not currently being collected), and because the Commissioners of Revenue and ECD are required to make a determination that the special allocation of state sales tax revenue is in the best interests of the state, the revenue impact to the state is considered to be forgone revenue.
- Given the extent of unknown factors mentioned above, determining a precise fiscal estimate for this bill as amended is difficult. However, the extent of forgone revenue to the state is reasonably estimated to exceed $1,000,000 per year.
- Local government revenue will increase by an unknown amount estimated to exceed $1,000,000 per year as a result of the special allocation of state sales tax revenue.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director

/rnc